

EAST CENTRAL IOWA
COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

YEARS ENDED JUNE 30, 2007, 2006 and 2005

- Prepared By -

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EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>County</u>	<u>Term Expires</u>
David Vermedahl	Chairperson	Benton	12-31-07
Bill Daily	Member	Benton	12-31-08
Don Magdefrau	Member	Benton	12-31-09
Linda Yoder	Member	Iowa	12-31-09
Charles Montross	Member	Iowa	12-31-08
Gary Edwards	Member	Iowa	12-31-07
Pat Harney	Member	Johnson	12-31-09
Henry Herwig	Vice-Chairperson	Johnson	12-31-08
Larry Wilson	Member	Johnson	12-31-07
Dee Vanderhoef	Member	Johnson	12-31-07
Leo Cook	Member	Jones	12-31-08
Dennis Hansen	Member	Jones	12-31-07
Jennifer Fischer	Member	Jones	12-31-09
James Houser	Member	Linn	12-31-08
Lu Barron	Member	Linn	12-31-09
Ann Hearn	Member	Linn	12-31-07
Justin Shields	Member	Linn	12-31-07
Don Gray	Member	Linn	12-31-08
Randy Payne	Member	Washington	12-31-08
Ed Raber	Secretary/Treasurer	Washington	12-31-09
Richard Cicalo	Member	Washington	12-31-07



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Central Iowa Council of Governments
Cedar Rapids, IA 52401

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the East Central Iowa Council of Governments (ECICOG) as of and for the years ended June 30, 2007, 2006 and 2005. These financial statements are the responsibility of ECICOG's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ECICOG as of June 30, 2007, 2006 and 2005, and the respective changes in financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated November 8, 2007 on my consideration of ECICOG's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. Other supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Larry Pump".

November 8, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Central Iowa Council of Governments provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. I encourage readers to consider this information in conjunction with ECICOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ECICOG's support and revenues decreased 13%, or \$269,096, from fiscal 2006 to fiscal 2007. Federal capital grants decreased in 2007.
- ECICOG's operation expenses increased less than 16%, or \$257,569 in fiscal 2007 from fiscal 2006.
- ECICOG's net assets increased 3%, or \$43,175, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

The East Central Iowa Council of Governments is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to ECICOG's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of ECICOG's financial activities.

The Statement of Net Assets presents information on ECICOG's assets and liabilities, with the difference between the two reported as net assets. The majority of the agency's assets are transit vehicles and equipment. Over time, increases or decreases in net assets may serve as a useful indicator of how operation of the transit system affects the financial position of ECICOG.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses and whether ECICOG's financial position has changed as a result of the year's activities. ECICOG's financial position tends to be somewhat dynamic as the agency's programs can change from year to year, e.g., the number of vehicles purchased or the number of grants administered.

The Statement of Cash Flows presents the change in ECICOG's cash and cash equivalents during the year. This information can assist the use of the report in determining how ECICOG financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of ECICOG's financial position. ECICOG's net assets for fiscal 2007 totaled approximately \$1,320,712. This compares to approximately \$1,227,537 for fiscal 2006. A summary of ECICOG's net assets is presented below.

	Net Assets	
	June 30,	
	2007	2006
Current assets	\$ 301,109	\$ 269,717
Non-current assets	158,420	179,570
Capital assets at cost, less accumulated depreciation	907,756	937,225
Total assets	<u>\$1,367,285</u>	<u>\$1,386,512</u>
Current liabilities	\$ 19,204	\$ 81,606
Long term debt	27,369	27,369
Total liabilities	<u>\$ 46,573</u>	<u>\$ 108,975</u>
Net assets:		
Reserved	\$ 628,127	\$ 738,480
Unreserved	<u>692,585</u>	<u>539,057</u>
Total net assets	<u>\$1,320,712</u>	<u>\$1,277,537</u>

Statement of Revenues, Expenses and Changes in Net Assets

Support and revenues are received from federal grants, state grants, and other local sources. Expenditures are expenses to operate the transit systems and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2007 and 2006 are presented below:

	Changes in Net Assets	
	June 30,	
	2007	2006
Support and Revenue		
Grants	\$1,206,486	\$1,417,592
Program reimbursements and other local sources	675,125	733,115
Total support and revenue	<u>\$1,881,611</u>	<u>\$2,150,707</u>
Expenditures	<u>1,846,850</u>	<u>1,589,281</u>
Net transactions before other financing uses	\$ 34,761	\$ 561,426
Gain on sale of assets	<u>8,414</u>	<u>13,528</u>
Changes in net assets	\$ 43,175	\$ 574,954
Net assets beginning of year	<u>1,277,537</u>	<u>702,583</u>
Net assets end of year	<u>\$1,320,712</u>	<u>\$1,277,537</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

- Net assets for the year increased \$43,175. This increase was due to federal funds received for capital asset purchases.
- ECICOG's operating expenses (without depreciation) were \$1,549,274 and revenues were \$1,881,611. With depreciation, the total expenses were \$1,846,850 and revenues remained at \$1,881,611.
- State Transit Assistance and, Federal Transit Operating Assistance, for the year totaled \$744,326. These same funding sources for the previous fiscal year totaled \$683,423. These same funding sources are projected to increase from fiscal year 2007 to fiscal year 2008. Federal capital assistance was \$285,748 for 2007. In 2006 Federal Capital assistance was \$532,533.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing activities. Cash provided by the operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used from financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2007, ECICOG had approximately \$907,756 invested in capital assets, net of accumulated depreciation of approximately \$2,755,114. Depreciation charges totaled \$297,576 for fiscal year 2007. More detailed information about ECICOG's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The East Central Iowa Council of Government's Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2008 budget and fees that will be charged for agency activities. ECICOG general fund operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year.

CONTACTING ECICOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers with a general overview of ECICOG's finances and to show ECICOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Central Iowa Council of Governments, 700 16th Street NE, Cedar Rapids, Iowa 52402.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF NET ASSETS
JUNE 30, 2007, 2006 and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 107,807	\$ 163,469	\$ 143,189
Prepaid expenses	5,651	5,620	4,603
Accounts receivable	187,408	99,906	62,288
Rehab note receivable	243	722	936
Total current assets	<u>\$ 301,109</u>	<u>\$ 269,717</u>	<u>\$ 211,016</u>
Noncurrent assets:			
Rehab note receivable - noncurrent	\$ -	\$ -	\$ 563
Prepaid software agreement	158,420	179,570	-
Total noncurrent assets	<u>\$ 158,420</u>	<u>\$ 179,570</u>	<u>\$ 563</u>
Fixed assets:			
Furniture and equipment	\$ 33,981	\$ 30,118	\$ 72,246
Vehicles - unrestricted	789,851	705,171	652,740
Vehicles - restricted	2,796,414	2,829,093	2,527,897
Leasehold improvements	42,624	35,916	-
Total	<u>\$3,662,870</u>	<u>\$3,600,298</u>	<u>\$3,252,883</u>
Less accumulated depreciation	<u>(2,755,114)</u>	<u>(2,663,073)</u>	<u>(2,737,673)</u>
Net fixed assets	<u>\$ 907,756</u>	<u>\$ 937,225</u>	<u>\$ 515,210</u>
Total assets	<u>\$1,367,285</u>	<u>\$1,386,512</u>	<u>\$ 726,789</u>
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Trade accounts payable	\$ 5,218	\$ 67,188	\$ 9,807
Accrued benefits payable	13,986	14,418	14,399
Total current liabilities	<u>\$ 19,204</u>	<u>\$ 81,606</u>	<u>\$ 24,206</u>
Long-Term debt:			
Revolving loan (Note 7)	\$ 27,369	\$ 27,369	\$ -
Total Liabilities	<u>\$ 46,573</u>	<u>\$ 108,975</u>	<u>\$ 24,206</u>
Net assets:			
Reserved (Note 2)	\$ 628,127	\$ 738,480	\$ 415,734
Unreserved	692,585	539,057	286,849
Total net assets	<u>\$1,320,712</u>	<u>\$1,277,537</u>	<u>\$ 702,583</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007, 2006 and 2005**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
REVENUES:			
Federal funds	\$ 750,089	\$ 963,795	\$ 434,705
State funds	456,397	453,797	413,746
Local funds	674,274	732,073	654,322
Interest	851	1,042	762
Total	<u>\$1,881,611</u>	<u>\$2,150,707</u>	<u>\$1,503,535</u>
EXPENSES:			
Salaries and fringe benefits	\$ 575,865	\$ 552,551	\$ 551,295
Payroll taxes	38,396	39,050	39,440
Parking	-	2,325	3,300
Travel	22,983	23,384	24,031
Travel - professional development	5,920	3,749	4,633
Utilities	9,477	12,602	11,565
Transit provider payments	739,530	633,523	560,801
Contracted services	3,848	3,722	14,448
Office expense	4,196	4,614	4,592
Printing and copying	2,014	1,674	732
Advertising	1,321	40	106
Dues and subscriptions	10,818	8,777	7,948
Rent	38,124	24,500	18,000
Education and training	4,811	4,040	2,300
Insurance	9,425	9,454	13,067
Repairs and maintenance	1,190	2,230	2,489
Legal and accounting	8,855	8,743	19,578
Handbook	3,250	-	-
Special legal	5,115	-	-
Regional land use	5,466	-	-
Depreciation	297,576	198,252	199,650
Freight and postage	2,159	4,162	3,099
Summer library reading	1,130	1,664	969
GRO	-	-	5,519
JC-FHLB	39,011	41,965	111,152
Jones county Swap	1,658	6,919	-
Mini-MRF project	4,556	660	-
Map/IDOT workshop	-	681	-
Uncollected accounts	10,156	-	-
Total	<u>\$1,846,850</u>	<u>\$1,589,281</u>	<u>\$1,598,714</u>
Net transactions before other financing sources (uses)	\$ 34,761	\$ 561,426	\$ (95,179)
Other financing sources (uses):			
Gain (loss) on sale of fixed assets	<u>8,414</u>	<u>13,528</u>	<u>(11,682)</u>
Change in net assets	\$ 43,175	\$ 574,954	\$ (106,861)
Net assets beginning of year	<u>1,277,537</u>	<u>702,583</u>	<u>809,444</u>
Net assets end of year	<u>\$1,320,712</u>	<u>\$1,277,537</u>	<u>\$ 702,583</u>

See Notes to Financial Statements.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007, 2006 and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:			
Cash received from local sources	\$ 570,934	\$ 777,962	\$ 601,130
Cash received from state operating grants	456,397	453,381	420,208
Cash paid for salaries and benefits	(576,297)	(552,532)	(551,058)
Cash paid for administration	(200,350)	(245,787)	(271,580)
Net cash provided by operating activities	<u>\$ 250,684</u>	<u>\$ 433,024</u>	<u>\$ 198,700</u>
Cash flows from noncapital financing activities:			
Cash received from federal grants	\$ 391,993	\$ 331,262	\$ 317,473
Cash paid to governmental entities for grant contracts	(739,530)	(634,342)	(559,982)
Cash received from revolving loan	-	27,369	-
Net cash used for noncapital financing activities	<u>\$(347,537)</u>	<u>\$(275,711)</u>	<u>\$(242,509)</u>
Cash flows from capital and related financing activities:			
Cash received from federal capital grants	\$ 308,157	\$ 482,160	\$ 112,012
Net acquisition of fixed assets	(268,296)	(621,011)	(138,565)
Net cash used for capital and related financing activities	<u>\$ 39,861</u>	<u>\$(138,851)</u>	<u>\$ (26,553)</u>
Cash flows from investing activities:			
Cash received for rehab note receivable	\$ 479	\$ 777	\$ 973
Cash received from sale of investment in environmental house	-	-	65,199
Interest received	851	1,042	762
Net cash used in investing activities	<u>\$ 1,330</u>	<u>\$ 1,819</u>	<u>\$ 66,934</u>
Net increase (decrease) in cash	\$ (55,662)	\$ 20,281	\$ (3,428)
Cash and cash equivalents beginning of year	<u>163,469</u>	<u>143,188</u>	<u>146,616</u>
Cash and cash equivalents end of year	<u>\$ 107,807</u>	<u>\$ 163,469</u>	<u>\$ 143,188</u>
Reconciliation of net transactions to net cash provided by operating activities:			
Net transactions	\$ 43,175	\$ 574,954	\$(106,861)
Adjustments for long-term non-cash items:			
Depreciation	297,576	198,252	199,650
Gain (loss) on sale of assets	8,414	13,528	(11,682)
Receipts and expenditures not classified as operating	51,454	(372,475)	166,083
Change in assets and liabilities:			
(Increase) decrease in prepaid expenses	(31)	(1,017)	4,228
(Increase) decrease in accounts receivables	(87,502)	(37,618)	(13,944)
Increase (decrease) in accounts payable	(61,970)	57,381	(39,011)
Increase (decrease) in accrued benefits payable	(432)	19	237
Net cash provided by operating activities	<u>\$ 250,684</u>	<u>\$ 433,024</u>	<u>\$ 198,700</u>

See Notes to Financial Statements.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007, 2006 and 2005

(1) Organization

The East Central Iowa Council of Governments (ECICOG) is an Inter-Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 10 which includes Benton, Iowa, Johnson, Jones, Linn and Washington counties. ECICOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). ECICOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. ECICOG also provides transportation services to the elderly, disabled and rural areas through East Central Iowa Transit. In performing its duties, ECICOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, ECICOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with ECICOG are such that exclusion would cause ECICOG's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of ECICOG to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on ECICOG. ECICOG has no component units which meet the Governmental Accounting Standards Board criteria.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

(b) Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash and Cash Equivalents - The cash balances are invested. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007, 2006 and 2005**

(2) Summary of Significant Accounting Policies - continued

Capital Assets - Capital assets, which include property, furniture and equipment, are accounted for at original cost. Depreciation has been provided over the estimated useful lives using the straight-line method.

Accrued Benefits Payable - Accrued benefits payable are earned vacation leave and compensatory time and have been accrued as liabilities on the balance sheet. These current liabilities have been computed based on rates of pay in effect at June 30, 2007.

Reserved Retained Earnings - Reserved retained earnings represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

(3) Cash and Investments

ECICOG's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

ECICOG is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

ECICOG had no investments at June 30, 2007.

Interest rate risk - ECICOG's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of ECICOG.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 30,118	\$ 3,863	\$ -	\$ 33,981
Vehicles	3,534,264	257,725	205,724	3,586,265
Leasehold improvements	35,916	6,708	-	42,624
 Total	 <u>\$3,600,298</u>	 <u>\$268,296</u>	 <u>\$ 205,724</u>	 <u>\$3,662,870</u>

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007, 2006 and 2005**

(5) Pension and Retirement Benefits

ECICOG contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and ECICOG is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. ECICOG's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$28,502, \$27,066 and \$27,214, respectively, equal to the required contributions for each year.

(6) Operating Lease

ECICOG leases its office space on an operating lease basis. The lease calls for lease payments as described below. In addition, ECICOG is responsible for any leasehold improvements. Total rental and lease expense for the year ended June 30, 2007 was \$38,124.

Future rental payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2008	\$ 39,996
2009	27,496
Total	<u>\$ 67,492</u>

(7) Revolving Loan

The Agency received a Revolving Loan from the Iowa Department of Transportation to fund a portion of the ITS project. The maximum amount to be loaned to the Agency is \$45,971. The loan bears no interest and will be paid back equally over 2 years beginning July 30, 2008. As of June 30, 2007 the Agency had requested \$27,369.

(8) Note Receivable

ECICOG has a note receivable for additional home rehabilitation work completed. The note is interest bearing at 4%. As of June 30, 2007, remaining principal on the note receivable is \$243 and is all short-term.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007, 2006 and 2005

(9) Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2007 were \$3,838.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007, 2006 and 2005

(9) **Risk Management** - continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with public employee dishonesty coverage and workers compensation coverage. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
 STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
 YEAR ENDED JUNE 30, 2007

	STA Operating Assistance	Section 3 <u>Capital</u> 03-0104- 100-06	Section 3 <u>Capital</u> 03-0103- 100-04
Operating Expenditures:			
Personal Services	\$ -	\$ -	\$ -
Contractual Services	406,525	-	-
Commodities	-	-	-
Capital Outlay	-	45,907	46,340
Prior Year	-	-	249,310
Project Cost	<u>\$406,525</u>	<u>\$ 45,907</u>	<u>\$ 295,650</u>
Grant Participation in Project Cost	100%	83%	83%
Percentage Participation	<u>\$406,525</u>	<u>\$ 38,102</u>	<u>\$ 245,387</u>
Contract Amount	<u>\$406,525</u>	<u>\$ 146,080</u>	<u>\$ 273,900</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$406,525	\$ 38,102	\$ 245,387
Less: Grant Payments received in current year	(406,525)	(38,102)	(82,294)
Less: Grant Payments received in prior year	<u>-</u>	<u>-</u>	<u>(163,093)</u>
Grant Receivable/(Payable) at June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>Section 3 Capital</u> <u>03-0104- 100-05</u>	<u>Section 4 Capital</u> <u>04-0105- 100-06</u>	<u>06RPA-R10</u>	<u>07RPA-R10</u>	<u>Section 18 Operating</u> <u>18-4028- 100-07</u>	<u>Section 18 Capital</u> <u>18-4027- 100-07</u>	<u>Section 18 Capital</u> <u>18-0027- 100-05</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	128,270	933,174	-	-
-	-	-	-	-	-	-
95,845	53,698	-	-	-	130,486	8,895
258,434	-	71,510	-	-	-	61,531
<u>\$354,279</u>	<u>\$ 53,698</u>	<u>\$ 71,510</u>	<u>\$ 128,270</u>	<u>\$ 933,174</u>	<u>\$130,486</u>	<u>\$ 70,426</u>
83%	83%	80%	80%	50%	50%	80/83%
<u>\$294,051</u>	<u>\$ 44,569</u>	<u>\$ 57,208</u>	<u>\$ 102,616</u>	<u>\$ 466,587</u>	<u>\$ 65,243</u>	<u>\$ 57,956</u>
<u>\$323,980</u>	<u>\$ 97,940</u>	<u>\$ 57,208</u>	<u>\$ 102,238</u>	<u>\$ 336,101</u>	<u>\$ 20,626</u>	<u>\$ 77,800</u>
\$294,051	\$ 44,569	\$ 57,208	\$ 102,238	\$ 336,101	\$ 20,626	\$ 57,956
(80,676)	(44,569)	(1,000)	(77,215)	(336,101)	(20,626)	(7,441)
<u>(213,375)</u>	-	<u>(56,208)</u>	-	-	-	<u>(50,515)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2007

	<u>Section 18</u> <u>Capital</u> <u>18-0028-</u> <u>100-06</u>	<u>Section 18</u> <u>Capital</u> <u>18-0025-</u> <u>100-05</u>	<u>Section 26</u> <u>Operating</u> <u>26-0003-</u> <u>010-06</u>
Operating Expenditures:			
Personal Services	\$ -	\$ -	\$ -
Contractual Services	-	-	1,700
Commodities	-	-	-
Capital Outlay	1,267	860	-
Prior Year	<u>11,989</u>	<u>9,141</u>	<u>-</u>
Project Cost	\$ -	\$ 10,001	\$ 1,700
Grant Participation in Project Cost	<u>80/83%</u>	<u>80%</u>	<u>100%</u>
Percentage Participation	<u>\$ 6,102</u>	<u>\$ 8,000</u>	<u>\$ 1,700</u>
Contract Amount	<u>\$ 111,600</u>	<u>\$ 8,000</u>	<u>\$ 2,200</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 6,102	\$ 8,000	\$ 1,700
Less: Grant Payments received in current year	(6,102)	(688)	(1,700)
Less: Grant Payments received in prior year	<u>-</u>	<u>(7,312)</u>	<u>-</u>
Grant Receivable/(Payable) at June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 1
(continued)

ITS	AMOCO LOAN	EDA	Total
\$ -	\$ -	\$ -	\$ -
-	-	63,000	1,532,669
-	-	-	-
121,458	-	-	504,756
238,516	54,736	-	955,167
<u>\$ 359,974</u>	<u>\$ 54,736</u>	<u>\$ 63,000</u>	<u>\$ 2,992,592</u>
25/50%	50%	50%	
<u>\$ 224,519</u>	<u>\$ 27,368</u>	<u>\$ 31,500</u>	<u>\$ 2,077,433</u>
<u>\$ 297,798</u>	<u>\$ 45,972</u>	<u>\$ 35,000</u>	<u>\$ 2,342,968</u>
\$ 224,519	\$ 27,368	\$ 31,500	\$ 1,901,952
(35,035)	-	(31,500)	(1,169,574)
<u>(178,972)</u>	<u>(27,368)</u>	<u>-</u>	<u>(696,843)</u>
<u>\$ 10,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,535</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Direct:			
Department of Commerce:			
Economic Development Administration:			
Planning Grant	11.302	05-86-04347	\$ <u>31,500</u>
Indirect:			
Department of Transportation:			
Iowa Department of Transportation:			
Urban Mass Transportation Technical Studies Grants:			
FHWA STP/FTA Section 18	20.515	07-SPR-RPA10	\$102,238
ITS Deployment Project			<u>37,708</u>
			<u>\$139,946</u>
Federal Transit Administration:			
Discretionary Capital Grant:			
Section 3	20.500	03-0104-100-06	\$ 38,102
		03-0103-100-04	38,462
		03-0104-100-05	79,551
ITS Deployment Project		04-0104-100-06	44,569
			831
			<u>\$201,515</u>
Federal Transit Administration:			
United We Ride State Coordination Project	20.514	26-0030-010-06	\$ <u>1,700</u>
Federal Transit Administration:			
Non-Urban Capital Assistance Project:			
Section 18	20.509	18-4028-100-07	\$336,101
		18-4027-100-07	20,626
		18-0027-100-05	7,116
		18-0028-100-06	1,013
		18-0025-100-05	688
ITS Deployment Project			<u>37,708</u>
			<u>\$403,252</u>
Total Department of Transportation			<u>\$746,413</u>
Total			<u>\$777,913</u>

See Accompanying Independent Auditor's Report.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
East Central Iowa Council of Governments:

I have audited the basic financial statements of the East Central Iowa Council of Governments (ECICOG) as of and for the years ended June 30, 2007, 2006 and 2005 and have issued my report thereon dated November 8, 2007. My report expressed unqualified opinions on the financial statements. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered ECICOG's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of ECICOG's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects ECICOG's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principals such that there is more than a remote likelihood a misstatement of ECICOG's financial statements that is more than inconsequential will not be prevented or detected by ECICOG's internal control. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by ECICOG's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiency described above, item II-A-07, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ECICOG's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about ECICOG's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of ECICOG. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes

ECICOG's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on ECICOG's responses, I did not audit ECICOG's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the East Central Iowa Council of Governments officials, employees and other parties to whom the Agency may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of ECICOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



November 8, 2007



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
East Central Iowa Council of Governments:

Compliance

I have audited the compliance of East Central Iowa Council of Governments (ECICOG), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. ECICOG's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of ECICOG's management. My responsibility is to express an opinion on ECICOG's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ECICOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on ECICOG's compliance with those requirements.

In my opinion, ECICOG complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of ECICOG is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered ECICOG's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in ECICOG's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a deficiency in internal control over compliance that I consider to be a material weakness.

A control deficiency in ECICOG's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects ECICOG's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by ECICOG's internal control. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by ECICOG's internal control. I consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-07 to be a material weakness.

ECICOG's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on ECICOG's responses, I did not audit ECICOG's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and members of ECICOG and other parties to whom ECICOG may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



November 8, 2007

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements, which was a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.509 Non-Urban Assistance Project.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) ECICOG did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash revenues and expenditures are all done by the same individual.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However ECICOG should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. ECICOG should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

**CFDA Number 20.509: Non-Urban Assistance Project
Federal Award Year: 2007
U.S. Department of Transportation
Passed through the Iowa Department of Transportation**

III-A-07 The Agency did not properly segregate custody, recordkeeping and reconciling functions for revenues and expenditures, including those related to Federal Programs. See audit finding II-A-07.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-07 Questionable Disbursements - No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-B-07 Travel Expense - No disbursements of ECICOG money for travel expenses of spouses of ECICOG officials or employees were noted.
- IV-C-07 Business Transactions - No business transactions between ECICOG and ECICOG officials or employees were noted.
- IV-D-07 Bond Coverage - Surety bond coverage of ECICOG officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-E-07 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and ECICOG's investment policy were noted.
- IV-F-07 Board Minutes - No transactions were found that I believe should have been approved in the board minutes but were not.